

The Manufacturers Hanover Financial Digest

Weekly Commentary,
Selected Financial Data,
and Business Indicators

MONDAY, FEBRUARY 4, 1985

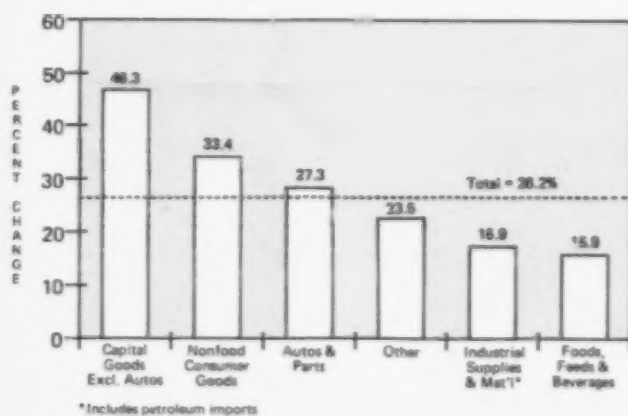
VOLUME XXII NUMBER 5

Record U.S. Imports . . .

Last week's release of the December merchandise trade numbers showed, to no one's great surprise, that the U.S. in 1984 chalked up another record merchandise trade deficit. At \$123.3 billion, the excess of imports over exports was up a staggering 78 percent from the previous year. This trade gap occurred in spite of an 8.7 percent rise in the value of U.S. exports. But the improvement in exports was swamped by a flood of imports—26.2 percent above the previous year. Thus it is the surge in imports that is chiefly responsible for the record merchandise trade deficit.

The fact that exports rose by almost nine percent in the face of intense competition from abroad and the severe erosion of competitiveness caused by the dollar's relative strength in terms of other currencies is certainly worthy of note. It reflects, among other things, the rise of industries producing items unique to the U.S. in terms of quality, technology, etc. On

CHART I
U.S. IMPORTS OF SELECTED PRODUCTS:
1984 VS. 1983 (PERCENT CHANGE)

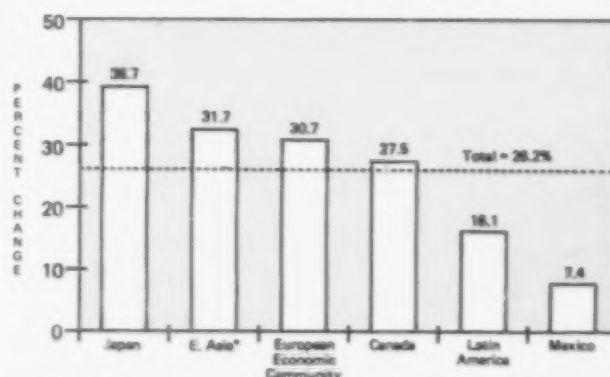


the other hand, the 26 percent rise in the dollar value of imports in some cases understates the inflow of merchandise into the U.S. because of price declines.

. . . Of A Wide Variety Of Goods . . .

Imports skyrocketed in 1984 across virtually the entire spectrum of goods (see Chart I). Last year, imports of capital goods, excluding automobiles, were 46 percent above 1983 levels, on a customs value basis. Consumer goods and automotive vehicles and parts were up 33 percent and 27 percent respectively. Industrial supplies and materials, which in dollar terms is the largest category of imports, rose by about 17 percent.

CHART II
U.S. IMPORTS FROM SELECTED AREAS:
1984 VS. 1983 (PERCENT CHANGE)



*Hong Kong, Singapore, South Korea and Taiwan

Both manufactured goods and agricultural products benefited from the surge in imports. More specifically, new passenger cars, electrical machinery, telecommunications equipment, iron and steel, as well as clothing imports were up substantially. But while both the foods, feeds and beverages category and the industrial supplies and materials category of imports were each up by about 16 percent, the categories which are largely manufactured goods were up an average of 35 percent. Since exports of the developing countries are, in large measure, in the food and raw materials categories while the industrial and industrializing countries usually supply manufactured goods, this suggests that this latter group is benefiting more from our appetite for foreign goods than the former.



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... Have Helped Some Countries ...

This view is confirmed when the dollar value of U.S. imports in 1984 is considered. Imports in the food and industrial raw materials groups amounted to \$144.7 billion, while manufactured goods imports added up to \$173.3 billion. Compared with 1983, producers of food and industrial raw materials increased their incomes by about \$21 billion, while producers of manufactured goods benefited on the order of \$45 billion. Although detailed data are incomplete, it is clear that on a percentage basis as well as on a dollar basis, industrial exporters have benefited much more than food and raw materials producers.

An analysis of regional trade patterns reveals a

similar picture (see Chart II on page 1). Based on the data now available for last year, imports into this country from Latin America rose by a relatively modest 16 percent, while our exports south of the border rose by 20.5 percent. Conversely, imports from the European Economic Community were up 31 percent over 1983 and up about 39 percent from Japan. East Asian countries such as Hong Kong, Singapore, South Korea and Taiwan have also benefited by exports to the U.S., with a 32 percent jump in 1984. Some of these countries' exports include a mix of both commodities and manufactured goods. With recent low commodity prices, however, their manufactured exports have tended to dominate the export picture in value terms.

Selected Federal Reserve Data

(Averages of Daily Figures—Billions of Dollars)

	Week Ending 1/30/85	% Change Since	
		Week Ago	Year Ago
Reserve Bank Credit			
U.S. Gov'ts and Agencies			
Owned Outright & RPs	165.736	+ .978	+ 5.186
Loans to Depository Inst.	1.167	+ .383	+ .485
Float	.884	- .728	- .037
Total Reserve Bank Credit	179.903	+ .628	+ 8.639
Treasury Deposits with			
Federal Reserve Banks	4.946	+ 1.646	- 2.234
Currency in Circulation	177.309	- 1.377	+ 10.962
Gov'ts held for Foreign Acct. by F.R. Banks (End-of-Week)	116.856	+ .221	+ 5.123
Member Bank Reserves:	1/30/85		
Total Reserves Held	39.883	- 1.540	+ 2.277
Excess (Deficiency)	.643	+ .021	+ .140
Net Free Reserves	.180	- .229	+ .242
Monetary Aggregates †		% Change Since	
		Three Months Ago*	Year Ago
M1 (1/21/85)	561.6	+ 9.3%	+ 5.7%
M2 (December '84)	2,376.3	+ 12.3	+ 8.2
M3 (December '84)	2,987.3	+ 13.3	+ 10.2
Domestic Nonfinancial Debt (3rd Q'84)	5,760.0	+ 11.7	+ 12.9

† Seasonally adjusted.

* Seasonally adjusted annual rate.
‡ Four-week moving average.

New York Money Market

	3 Months	6 Months	1 Year
Offering Rates 2/1/85			
\$ U.S. Treasury Bills	8.10%	8.20%	8.45%
* Federal Agencies	7.85	8.20	8.35
* Project Notes—Taxfree (46% Taxable Equivalent)	8.15	8.52	9.26
Negotiable Time CDs			
Manufacturers Hanover	Rates By Arrangement		
* Secondary Market—Prime	8.45	8.65	9.10
\$ Finance Company Paper—Prime			
5-14 days	8.38%	Mar.	8.40%
15-29 days	8.38	Apr.	8.40
30-59 days	8.38	May	8.40
60-89 days	8.35	Jun.	8.45
90-179 days	8.10	Jul.	8.50
180-239 days	8.00	Aug.	8.45
240-270 days	8.00		
\$ Industrial Paper—Prime			
30-85 days	8.35%	† Federal Funds	
90-120 days	8.30	Effective Rate	8.75%
\$ Discount basis.		* Subject to availability.	† Estimated.

Selected Business Indicators

(All Dollar Figures in Billions)

	Latest Period or End of Period	Previous Period	Year Ago Period
Gross National Product (Current Dollars)*	4th Q'84 \$ 3,753	\$ 3,695	\$ 3,432
Gross National Product (1972 Dollars)*	4th Q'84 \$ 1,661	\$ 1,645	\$ 1,573
Percent Change, Annual Rate	4th Q'84 3.9	1.6	5.9
Change in Consumer Prices*	Dec '84 2.4%	2.4%	2.4%
Change in Producer Prices*	Dec '84 1.2%	6.0%	2.4%
Civilian Employment (Thousands of Persons) †	Jan '85n 106,291	106,273	103,294
Unemployment as % of Civilian Labor Force †	Jan '85n 7.4%	7.2%	8.0%
Personal Income*	Dec '84 \$ 3,118	\$ 3,102	\$ 2,860
Leading Indicators Composite Index (1967=100) †	Dec '84n 164.9	165.2r	163.4
Industrial Production Index (1967=100) †	Dec '84 166.2	165.2	156.2
Net Change in Consumer Installment Credit †	Nov '84 \$ 7.95	\$ 6.28	\$ 4.82
U.S. Merchandise Trade Balance †	Dec '84n -\$ 8.20	-\$ 9.94	-\$ 6.74
Plant and Equipment Expenditures*	1st Q'85 \$337.85(n)	\$321.40 (n)	\$293.15
Private Housing Starts (Thousands of Units)*	Dec '84 1,587	1,554	1,684
New Construction Expenditures*	Dec '84n \$ 318.7	\$ 316.0r	\$ 263.9
Total Business Inventories †	Nov '84 \$ 564.2	\$ 563.8	\$ 511.5
Total Business Sales †	Nov '84 \$ 415.0	\$ 419.6	\$ 386.6

* Seasonally adjusted annual rate.

† Seasonally adjusted.

n—Newly reported figure.

r—Revised.

a—Anticipated.

... More Than Others

Several of these countries, benefiting from low unit labor costs, have become assembly areas for labor-intensive products, particularly for mass produced electronic products. In some cases, parts and sub-assemblies manufactured in the U.S. are sent to these countries for final assembly and then returned here, inflating the value of those countries' exports.

In 1984, the U.S. again incurred a deficit with most of its principal trading partners. The U.S. trade deficit with Japan was over \$34 billion last year, while Canada had a \$20 billion surplus in its trade with the U.S. and Germany's surplus was about \$8 billion. Although Mexico exported

about \$6 billion more in goods to this country in 1984 than we did to them, U.S. exports grew by about 32 percent, while our imports were up only eight percent. It appears that Mexico may be easing somewhat the import controls it imposed several years ago.

Although the U.S. economy should continue to grow in 1985, the rate of growth of U.S. imports is expected to moderate because our growth will slow. Nonetheless, both industrial and developing countries will still benefit. The U.S. merchandise trade deficit will remain an important factor in economic growth abroad and should stimulate a further expansion of world trade.

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Short Term Paper Outstanding

(Millions of Dollars)

	Latest Week	Change Since Week Ago	Year Ago
Time Deposits of \$100,000 or more			
Weekly Reporting Banks			
Nationwide (1/16/85)	157,973	- 1,819	+ 13,610
New York City (1/23/85)	34,301	- 371	+ 5,684
Commercial Paper (1/23/85)	239,872	+ 142	+ 54,482

Bank Loans

(Millions of Dollars)

Commercial and Industrial Loans			
	Latest Week	Change Since Week Ago	Year Ago
Weekly Reporting Large Commercial Banks			
Nationwide (1/16/85)	251,138	+ 567	+ 27,973
New York City (1/23/85)	61,797	- 1,024	+ 4,060
Total Loans and Leases Gross Adjusted			
	Latest Week	Change Since Week Ago	Year Ago
Nationwide (1/16/85)	656,903	- 395	+ 77,776
New York City (1/23/85)	141,287	- 2,846	+ 13,440

Financial Markets

	Friday 2/1/85	Change Since Week Ago	Year Ago
U.S. Governments, Closing Yields:			
90-Day Billst	8.10%	+ .25	- .87
180-Day Billst	8.47	+ .17	- .77
Longest Billst	8.94	+ .09	- .57
Recent Issues:			
9 ³ / ₄ % 1/31/87	9.80	+ .05	
10 ¹ / ₂ % 12/31/88	10.20	- .20	
11 ¹ / ₂ % 11/15/94	11.10	+ .05	
11 ³ / ₄ % 11/15/14	11.13	- .02	
Municipals:			
Bond Buyer-20 Bond Index* (1/31/85)	9.37%	+ .16	- .14
Blue List Total (\$ Million)	\$1,482	+\$ 344	+ \$ 191
30-Day Visible Supply (\$ Million)	\$3,396	+\$1,596	+ \$1,701
Total	\$4,878	+\$1,940	+ \$1,892
Corporates:			
Moody's Aa Composite (1/31/85)	12.29%	+ .01	- .33
30-Day Visible Supply (\$ Million)	\$ 285	-\$ 85	- \$ 527
Stocks:			
Dow-Jones Averages:			
Industrials	1,277.72	+ 1.66	+ 80.69
Transportation	609.94	+ 3.21	+ 74.57
Utilities	148.65	+ .47	+ 16.76
65 Stocks	517.03	+ 1.37	+ 44.28
Standard and Poor's 500 Stocks	178.90	+ 1.55	+ 18.08
N.Y.S.E. Composite Index	103.23	+ .81	+ 10.25
N.Y.S.E. Avg. Daily Vol. for Week (000's)	130,552	-19,486	+ 21,570

* 48% Taxable equivalent 17.35%.

† Bond equivalent.

International Rates

	Friday 2/1/85	Week Ago
EURODOLLAR DEPOSIT RATES (bid)		
Overnight	8.50%	8.19%
1 month	8.56	8.13
3 month	8.81	8.19
6 month	9.00	8.50
1 year	9.63	9.13
EURODOLLAR BONDS		
Average Yield		
Medium Term (5 to 7 yrs.)	11.20%	11.05%
Long Term (7 to 15 yrs.)	11.40	11.30
FOREIGN EXCHANGE SPOT RATES		
New York Opening	U.S. \$	Currency
(2/1/85)	Equivalent	Per U.S. \$
Belgium	.01574	63.52
Canada	.7541	1.3261
Denmark	.08850	11.3000
France	.1031	9.7000
Germany	.3153	3.1720
Italy	.0005113	1955.80
Japan	.003902	256.25
Mexico	.004367	229.00
Netherlands	.2788	3.5863
Switzerland	.3716	2.6908
U.K.	1.1280	.8865

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